88TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
No. 183

SILVER LEGISLATION

APRIL 3, 1963.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 5389]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 5389) to repeal certain legislation relating to the purchase of silver and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass. Hearings were held on H.R. 4413, and the text of the accompanying bill is the text of H.R. 4413 as amended by the committee.

TITLE I—SILVER BULLION, SILVER CERTIFICATES, AND FEDERAL RESERVE NOTES

PURPOSE OF TITLE I

Section 1 of the bill would repeal the Silver Purchase Act of 1934, section 4 of the act of July 6, 1939, and the act of July 31, 1946. The provisions of the foregoing statutes presently in effect require the purchase by the Treasury of newly mined domestic silver offered at 90½ cents an ounce, permit the purchase of foreign silver by the Treasury, and permit the sale of silver by the Treasury at not less than 90½ cents an ounce.

Section 2 of the bill would reenact with modifications certain provisions of the Silver Purchase Act of 1934 which are still considered necessary. These include the requirement that the Secretary of the Treasury keep within the United States an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates and the provision that the silver certificates shall be exchangeable on demand for silver dollars, except that the latter provision would be revised to permit the redemption, at the option of the

Secretary of the Treasury, of silver certificates in silver bullion, in addition to redemption in silver dollars. Section 2 of the bill would also require that the Secretary of the Treasury not dispose of any free silver unless the market price of the silver exceeds its monetary value of $1.29-plus per ounce, except that any free silver could be sold to other departments and agencies of the Government or used for the coinage of standard silver dollars and subsidiary silver coins.

Section 3 of the bill would permit the Federal Reserve banks to issue $1 and $2 Federal Reserve notes.

OBJECTIVES OF THE BILL

The bill implements recommendations made by the President in his Economic Report to the Congress in January of this year. Its basic objectives are twofold:

(1) To afford the Government a sure and substantial supply of silver for its coinage needs by making available for this purpose the stocks of silver bullion backing the presently outstanding $1 silver certificates. This amounts to approximately 1,300 million ounces of silver bullion.

(2) To eliminate the obsolete and largely inoperative provisions on the statute books requiring the acquisition and holding of silver in the monetary reserves of the United States, and putting a Government floor price of 90½ cents an ounce under newly mined domestic silver, which is far below the current market price.

HISTORICAL BACKGROUND

In 1934 when the Silver Purchase Act was passed and in subsequent years up to about 1959 it was necessary for the Government to support the price for newly mined domestic silver by taking nearly all of it off the market at an artificially high price. The Silver Purchase Act of 1934 had for its main purpose the purchase of silver until that metal would comprise one-fourth of the total gold and silver monetary stocks of the United States. While more than 2 billion ounces of foreign and secondary silver were purchased under the authority of this act at a cost of slightly over $1 billion, these purchases never brought the total silver holdings of the United States near the 25-percent figure. Purchases under the Silver Purchase Act were discretionary with the Secretary of the Treasury and since 1942 no Secretary of the Treasury has found it to be in the public interest to purchase foreign or secondary silver under that act.

Acts passed in 1939 and 1946 required the purchase of all newly mined domestic silver tendered at the mints at artificially established prices. The 1939 act established a floor price of about 71 cents per ounce. The 1946 act raised the floor price to 90½ cents. Since November 1961, when the Treasury stopped selling silver, market forces have caused the price to rise to its present level of $1.27. Thus, the purchase acts are inoperative, and indeed the silver-producing industry has no further need for Government assistance. Since late 1961 the producers have seen a spectacular increase in the price of this product, amounting to 40 percent, and the present price is within a cent or two of the monetary value of $1.29-plus, as compared with a price of about 45 cents when the 1934 law was enacted.

While this increase in price has benefited the producers, the recent rapid rise has created difficulties for the users. The silverware, jewelry, and related industries have had to cope as best they could with these increased costs. Other industrial and defense users have also been greatly affected. The legislation proposed will presumably result in stabilizing the market price at somewhere close to $1.29, a price that is favorable for the producers. At the same time it will benefit the user industries by giving them the much needed assurance of a relatively stable price level. Thus, today is the most opportune time for repealing the silver legislation and taking the Government out of the silver business except as a consumer in the manufacture of its coins.

NEED FOR LEGISLATION

The need for this legislation results from the facts that (*a*) world consumption of silver for industrial uses and for coinage has grown to the point where it greatly exceeds world production of silver and (*b*) U.S. stocks of free silver have been reduced to a point where new sources of supply for this metal must be found if we are to continue to maintain our present silver coinage.

Most recently, annual free world production of newly mined silver has amounted to about 200 million ounces, compared to a consumption of around 350 million ounces. Domestic production has been running around 35 million ounces, while U.S. industrial consumption amounts to a little over 100 million ounces—about three times current production. In addition, U.S. requirements for silver for coinage last year amounted to about 75 million ounces.

Since two-thirds of our annual consumption of silver already comes from abroad, Treasury entry into the market to obtain silver for coinage would mainly benefit foreign producers while aggravating our balance-of-payments problem.

Since November 29, 1961, the Treasury has been retiring silver certificates in the denominations of $5 and $10 and utilizing the silver so released for the coinage of subsidiary silver coins. However, the supply of silver backing silver certificates is limited. As of January 31, 1963, the amount of silver certificates of these denominations totaled $368 million. The reserves behind these certificates amounted to about 285 million ounces, which is available for coinage when the silver certificates of these denominations are retired. Coinage requirements have been increasing each year, partly as a result of the ever-growing use of vending machines. Last year they amounted to about 75 million ounces.

In addition, our increasing population has led to a steady growth in the number of $1 bills required for circulation. Since at present $1 bills can only be issued in the form of silver certificates, this leads to a further annual requirement, which last year amounted to $49 million, or roughly 38 million ounces of silver for reserves behind the certificates.

Thus in 1962 about 113 million ounces of silver were required to meet our coinage requirements and the increase in $1 bills. This means that at current rates the silver presently available behind our dwindling supply of $5 and $10 silver certificates will be exhausted sometime during 1965.

When a used $5 silver certificate is turned in, it is retired, thus freeing the silver behind it for use in coinage. Whenever an additional

$5 bill is needed in the currency, it is called for by the banking system from the Federal Reserve and a new $5 Federal Reserve note is issued. However, at present, the Federal Reserve banks are not authorized to issue $1 notes and, therefore, there is no such replacement available if $1 silver certificates were to be retired. The foregoing statistics emphasize the urgency of enacting the provision of the bill which would authorize the issuance of $1 Federal Reserve notes. It is clear that this legislation is necessary to provide in an orderly way for the handling of the future needs of the United States for silver coinage and for $1 bills.

There is no loss in our silver stocks in the transfer of present silver reserves to use in the manufacture of coins. The operation simply involves a transfer of silver stocks from one form to another. In fact, there is a small "book profit" because silver used for subsidiary coinage purposes is valued at $1.38 per ounce as compared with $1.29 per ounce as reserves to back up silver certificates.

EFFECT OF FAILURE TO AUTHORIZE THE ISSUANCE OF $1 FEDERAL RESERVE NOTES

If the $1 Federal Reserve note is not authorized as proposed in section 3 of the bill, the Treasury will soon be in the untenable position of being forced into the market to buy silver for its coinage needs. Such purchases would drive the price of silver up to its monetary value of $1.29-plus per ounce and beyond. At this point it would become profitable for the public to turn in $1 silver certificates to obtain the silver standing behind them. This would lead to the gradual but certain withdrawal of all $1 bills from circulation. At a price of $1.38 per ounce for silver, the public would find it profitable to melt down half dollars, quarters, and dimes for their silver content. Obviously the public must have an adequate supply of $1 bills which is not subject to being constantly diminished as bills are turned in for their silver value. And it must have a supply of subsidiary coins which are not apt constantly to be melted down for their silver value. The alternative to the use of the silver standing behind $1 silver certificates for coinage would be the early abandonment of silver coinage in favor of coinage made of other metals or at least a reduction in the silver content of the silver coins. While in view of the increasing industrial uses of silver, the United States may ultimately be faced with these alternatives, the present legislative proposal provides an appropriate and practical way of assuring for the next 10 to 15 years an adequate supply of silver available for coinage without the necessity of taking any steps which might be upsetting to the economy or damaging to the public confidence in our money.

EFFECT OF SUBSTITUTION OF $1 FEDERAL RESERVE NOTES

The Secretary of the Treasury has stated that if this legislation is enacted, the withdrawal of silver certificates and the use of silver back of them for coinage will be gradual. He has estimated that not over $105 million of silver certificates a year will need to be redeemed in order to obtain the silver needed for coinage. Today, the Treasury has over 1,600 million ounces of silver back of silver certicates that can be used for coinage. Of this amount over 1,300 million ounces stand in back of the $1 silver certificates. Assuming that over the

long run Federal Reserve notes will have to be issued in place of the silver certificates which are retired in order to meet the needs of the economy, no undesirable effects can be anticipated from such substitution. The basic currency of the United States today is the Federal Reserve note, of which there are about $29 billion in circulation. This compares with only $2 billion in silver certificates in circulation. The relatively small part of our total money supply represented by silver certificates does not derive its value from the silver the Treasury is presently required to hold as "backing" for the certificates. At all times since 1934, the dollar has been worth more than the silver in it and during most of the time the silver was only a token percentage of the value of the dollar. Since the public already relies mainly on the Federal Reserve note for its currency needs, there is no problem of public confidence involved in substituting Federal Reserve notes for the remaining silver certificates in circulation, a fact proven by the complete absence of public concern over the gradual substitution of $5 and $10 Federal Reserve notes for the $5 and $10 silver certificates which has been taking place since November 1961.

EFFECT ON GOLD RESERVES

The modern money systems of industrialized nations depend only to a small extent upon coins and currency. Indeed, the overwhelming proportion of the money supply of such a nation is in the form of deposits with the nation's banking system. In such a money system the amount of deposits in the banking system is under the control of the nation's central bank, in our case the Federal Reserve System.

The maximum amount of such deposits may be expanded or contracted at the discretion of the central bank, depending upon its judgment as to what volume of money is appropriate to the economy at any given time.

By controlling the volume of demand deposits in the commercial banks, the Federal Reserve also controls the total volume of money in the United States. The amount of currency in circulation, on the other hand, is determined solely by the preferences of consumers and business firms to hold money in this form rather than in the form of bank deposits.

In the United States, the "money supply" as narrowly defined (omitting time and savings deposits in commercial banks and other forms of "near money") consists of only about 20 percent of currency of all kinds, the other 80 percent being demand deposits in commercial banks. The volume of demand deposits in commercial banks is compared with currency in circulation outside of banks for recent weeks, in table 1, below.

TABLE 1.—*Money supply in the United States*

[In billions of dollars]

Week ending—	Total money supply	Currency in circulation outside of banks	Demand deposits in commercial banks	Week ending—	Total money supply	Currency in circulation outside of banks	Demand deposits in commercial banks
1963				*1963*			
Jan. 2	153.4	30.9	122.6	Feb. 13	149.6	30.6	119.0
Jan. 9	152.4	31.0	121.5	Feb. 20	147.6	30.5	117.1
Jan. 16	152.7	30.6	122.1	Feb. 27	146.3	30.4	115.8
Jan. 23	151.5	30.4	121.1	Mar. 6	147.8	30.7	116.7
Jan. 30	150.1	30.1	120.0	Mar. 13 p	148.0	30.9	117.2
Feb. 6	150.3	30.5	119.9	Mar. 20 p	148.4	30.8	117.6

p—Preliminary.

NOTE.—Money supply consists of (1) demand deposits at all commercial banks other than those due to other domestic commercial banks and the U.S. Government, less cash items in process of collection and Federal Reserve float; (2) foreign demand balances at Federal Reserve banks; and (3) currency outside the Treasury, the Federal Reserve System, and the vaults of all commercial banks.

Source: Board of Governors of the Federal Reserve System.

Federal Reserve notes are by law backed by 100 percent collateral, which in actual practice is substantially all in the form of gold and U.S. Government securities. The law also requires that the Federal Reserve maintain a minimum gold reserve of 25 percent against their Federal Reserve note liabilities and against their deposit liabilities.

On March 20, 1963, total liabilities of the Federal Reserve amounted to $52.3 billion, consisting principally of $29.9 billion of Federal Reserve notes, $16.5 billion of member bank reserves, and $1.3 billion of other deposits. Against these liabilities, the Federal Reserve held an equal amount of assets, consisting principally of $15.6 billion in gold and $30.6 billion of U.S. Government securities.

The total stock of U.S. money, a term which refers to the stock of metal, metal coins and currency, approximated $52.8 billion as of February 28, 1963. Of this amount approximately $39.6 billion was outside the Treasury, of which $5.3 billion was held by Federal Reserve banks. Thus, $34.3 billion of currency and coins was in circulation outside the Federal Reserve and the Treasury. Only $1.8 billion, or less than 6 percent, of this was in the form of silver certificates. A summary statement of the stock of U.S. money, including that held by the Treasury and the Federal Reserve Banks, is provided in table 2 below.

TABLE 2.—*Stock of U.S. money, Feb. 28, 1963*

Kind of money	Total amount	Money held in the Treasury: Total	Money held in the Treasury: Amount held as security against gold and silver certificates	Money held in the Treasury: Reserve against U.S. notes	Money held in the Treasury: Held for Federal Reserve banks and agents	Money held in the Treasury: All other money	Money outside of the Treasury: Total	Money outside of the Treasury: Held by Federal Reserve banks and agents	Money outside of the Treasury: Amount in circulation [1]
Gold	[2] $15,877,929,487	$15,877,929,487	$15,594,769,965	$156,039,431		$127,120,091			
Gold certificates, series of 1934	[3] (15,594,769,965)	[3] (12,778,714,365)			[3, 4] ($12,778,714,365)		$2,816,055,600	$2,816,055,600	
Standard silver dollars	486,391,200	88,142,316	36,149,533			51,992,783	398,248,884	7,560,869	$390,688,015
Silver bullion	2,114,578,533	2,114,578,533	2,114,578,533						
Silver certificates, issued after June 30, 1929	[3] (2,150,728,066)						2,150,728,066	317,490,081	1,833,237,985
Subsidiary silver	1,786,152,500	7,968,226				7,968,226	1,778,184,274	54,420,393	1,723,763,881
Minor coin	667,984,400	1,580,132				1,580,132	666,404,268	8,136,284	658,267,984
U.S. notes	346,681,016	5,333,502				5,333,502	341,347,514	31,327,456	310,020,058
Federal Reserve notes, 1928 and subsequent series	31,324,000,315	77,785,885				77,785,885	31,246,214,430	2,046,212,835	29,200,001,595
Subtotal	52,603,717,451	18,173,318,081	17,745,498,031	156,039,431	[3] (12,778,714,365)	[5] 271,780,619	[6] 39,397,183,036	5,281,203,518	34,115,979,518
In process of retirement (redeemable from general fund of the Treasury):									
Federal Reserve bank notes	80,345,269						80,345,269	593,500	79,751,769
National bank notes	37,486,829	63,595				63,595	37,423,234	97,200	37,326,034
Gold certificates, prior to series of 1934	20,406,689	388,850				388,850	20,017,839		20,017,839
Federal Reserve notes, prior to series of 1928	18,023,143						18,023,143		18,023,143
Silver certificates, issued before July 1, 1929	14,941,951						14,941,951		14,941,951
Treasury notes of 1890	141,534						141,534		141,534
Total, Feb. 28, 1963	52,775,062,866	18,173,770,526	17,745,498,031	156,039,431	[3] (12,778,714,365)	[5] 272,233,064	[6] 39,568,076,006	5,281,894,218	34,286,181,788

[1] The money in circulation includes any paper currency held outside the continental limits of the United States.

[2] Does not include gold other than that held by the Treasury.

[3] These amounts are not included in the total, since the gold or silver held as security against gold certificates of series of 1934 and silver certificates issued after June 30, 1929, is included under gold, standard silver dollars, and silver bullion, respectively.

[4] This total includes credits with the Treasurer of the United States payable in gold certificates in (1) the gold certificate fund—Board of Governors, Federal Reserve System, in the amount of $11,515,587,296 and (2) the redemption fund for Federal Reserve notes in the amount of $1,263,127,069.

[5] Includes $27,000,000 lawful money deposited as a reserve for Postal Savings deposits.

[6] The amount of gold certificates of series of 1934 and silver certificates issued after June 30, 1929, should be deducted from this amount before combining with total money held in the Treasury to arrive at the total amount of money in the United States.

Source: Treasury Department, Fiscal Service, Office of the Treasurer of the United States.

Retirement of silver certificates and their subsequent replacement with Federal Reserve notes will require the use of gold as a reserve back of these notes. The Secretary of the Treasury has indicated that the replacement of silver certificates will be done gradually, using only that amount necessary to meet our current needs for silver for coinage. Under this procedure, the 25-percent gold reserve needed to back the net new issuance of Federal Reserve notes should not exceed about $35 million annually. However, it might be observed that if the whole $1.8 billion of silver certificates were immediately replaced by Federal Reserve notes, the additional requirements for gold would amount to approximately $450 million, an amount that is well within the margin permitted by our present stock of monetary gold. Chairman Martin in his testimony before the committee emphasized the practicability of carrying out the substitution of Federal Reserve notes on such a gradual basis.

The amounts of each type of currency in circulation on February 28, of each denomination (excluding those amounts held by the Treasury and Federal Reserve bank agents), are shown in table 3 below. Table 3 includes certain types of currency which have been recalled or are in the process of retirement but for which amounts are still outstanding. These are gold certificates, Treasury notes of 1890, national bank notes, and (in contrast to Federal Reserve notes) "Federal Reserve bank notes."

TABLE 3.—*Paper currency of each denomination in circulation, Feb. 28, 1963*

Denomination	Gold certificates	Silver certificates	U.S. notes	Federal Reserve notes	Federal Reserve bank notes	National bank notes	Treasury notes of 1890	Total
One dollar		1,512,507,393	5,082,747		773,514	253,915	23,373	1,518,640,942
Two dollars		1,405,068	93,100,866		173,910	120,822	22,196	94,822,862
Five dollars		290,662,160	201,681,397	1,718,625,703	1,447,490	6,545,540	24,425	2,218,986,715
Ten dollars	5,306,770	43,137,155	5,525,961	6,715,377,145	6,062,500	11,940,270	21,180	6,788,370,981
Twenty dollars	7,772,294	323,210	2,424,812	10,952,500,290	15,625,030	12,329,450	19,560	10,990,994,646
Fifty dollars	2,121,875	78,950	200,075	2,915,677,100	18,567,275	2,617,300	1,300	2,939,263,875
One hundred dollars	3,051,900	50,000	327,200	6,383,126,000	37,102,050	3,433,250	14,500	6,427,104,900
Five hundred dollars	650,000	7,000	352,000	238,375,500		64,000		239,448,500
One thousand dollars	925,000	9,000	325,000	287,508,000		21,000	15,000	288,803,000
Five thousand dollars	70,000			2,635,000				2,705,000
Ten thousand dollars	120,000			4,200,000				4,320,000
Fractional parts						487		487
Total	20,017,839	1,848,179,936	310,020,058	29,218,024,738	79,751,769	37,326,034	141,534	31,513,461,908

Source: Treasury, Fiscal Service, Office of Treasurer of the United States.

STATUS OF U.S. NOTES

Under existing law, the Treasury is required to maintain in circulation the present amount of U.S. notes, about $346 million, and is required to continue to hold as reserves against such currency the existing amount of gold so held, approximately $156 million. On February 28, 1963, $310,020,058 of such notes were in circulation; $31,327,514 were being held by Federal Reserve banks; and $5,333,502 were in the Treasury. The committee believes that this is an economical form of currency for the United States to have, which has over the years saved the United States a considerable amount in terms of costs which would have been incurred had this amount of money been borrowed. Accordingly, the committee recommends that existing provisions relating to U.S. notes remain unchanged.

The present limited needs for circulating notes in the denomination of $2 are met entirely through the issuance of U.S. notes. The Chairman of the Federal Reserve Board in his testimony recommended that the committee consider amending the bill to authorize the Federal Reserve banks to issue notes in the denomination of $2 as well as the proposed $1 notes. The Secretary of the Treasury in response to an inquiry by the committee stated that, while he had no objection to giving the Federal Reserve banks this authority, he would recommend against the use of such authority since the limited needs for currency of this denomination, approximately $94 million at the present time, can be met, and are today entirely met, through the issuance of U.S. notes. He pointed out that the circulation of both U.S. notes and Federal Reserve notes in the denomination of $2 would add to the expense of the Government by creating a new necessity for sorting the two types.

The committee believes that the Federal Reserve should have authority to issue $2 notes, if for no other reason than to avoid the odd circumstance that it would otherwise have authority under this bill to issue notes in all other denominations, except the $2 denomination. The committee assumes, however, that the use of such authority pertaining both to $1 and $2 notes will be coordinated with the Secretary of the Treasury to avoid unnecessary counting and sorting processes.

TITLE II—REPEAL OF TAX ON TRANSFERS OF SILVER BULLION

The Committee on Banking and Currency has received the following letter from the Committee on Ways and Means:

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 29, 1963.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
U.S. House of Representatives.

MY DEAR MR. CHAIRMAN: In accordance with the agreement which was worked out by the Committee on Ways and Means and the Committee on Banking and Currency, I am enclosing the material relative to the repeal of the tax on transfers of silver bullion.

It will be recalled that the understanding between the two committees was that the Committee on Ways and Means would give con-

sideration to the provisions relating to the repeal of the tax on transfers of silver bullion as a part of the bill "to repeal certain legislation relating to the purchase of silver, and for other purposes" which was referred to the Committee on Banking and Currency. It was the conclusion of the Committee on Ways and Means that the provisions relating to the repeal of the tax on transfers of silver bullion should be included as a separate title II of the bill. Legislative language of title II has heretofore been transmitted to you. The enclosed material is for inclusion in the committee report which your committee will make on the bill to the House of Representatives.

As you know, since the Internal Revenue Code is within the jurisdiction of the Committee on Ways and Means, it was agreeable with you that our committee would make the policy decisions on the Internal Revenue Code provisions and draft language carrying out such decisions, as well as language for the committee report.

With kindest personal regards, I am,

Sincerely yours,

WILBUR D. MILLS, *Chairman.*

The explanation furnished to the Committee on Banking and Currency by the Committee on Ways and Means is set forth below:

EXPLANATION OF TITLE II

Title II of the bill provides for the repeal of subchapter F of chapter 39 of the Internal Revenue Code of 1954. This subchapter imposes a tax on transfers of any interest in silver bullion, where the price for which such interest is transferred exceeds the total of the cost thereof and allowed expenses. The tax is 50 percent of the amount of such excess.

This 50-percent tax on profits on transfers of interests in silver bullion was originally imposed by section 8 of the Silver Purchase Act of 1934. It was directly related to the program for the purchase of silver by the United States instituted by that 1934 act, and it had the effect of discouraging speculation and protecting the Government in its purchase of silver in the market. Because the legislation, and the regulations promulgated thereunder, had safeguards which in effect imposed little or no tax on profits realized in the course of a transferor's regular business of furnishing silver bullion for industrial, professional, or artistic use, and furthermore imposed no tax on certain deliveries of silver bullion to U.S. mints, the tax has not been a significant one from the standpoint of revenue yield. Since its enactment in 1934 it has produced about $5 million of revenue. In the last decade, the revenue derived from the tax has averaged less than $50,000 a year.

Because the need for this tax as a complement to and reinforcement of the Government's silver purchase program will cease when that silver purchase program is terminated, and because there will be little loss of revenue, the Committee on Ways and Means unanimously recommends that the tax be repealed, and that this repeal apply to all transfers of interests in silver bullion after the date of the enactmen of the bill.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SILVER PURCHASE ACT OF 1934

(48 Stat. 1178)

[AN ACT

[To authorize the Secretary of the Treasury to purchase silver, issue silver certificates, and for other purposes.

[*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the short title of this Act shall be the "Silver Purchase Act of 1934."

[SEC. 2. It is hereby declared to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States should be increased, with the ultimate objective of having and maintaining, one fourth of the monetary value of such stocks in silver.

[SEC. 3. Whenever and so long as the proportion of silver in the stocks of gold and silver of the United States is less than one-fourth of the monetary value of such stocks, the secretary of the Treasury is authorized and directed to purchase silver, at home or abroad, for present or future delivery with any direct obligations, coin, or currency of the United States, authorized by law, or with any funds in the Treasury not otherwise appropriated, at such rates, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest: *Provided*, That no purchase of silver shall be made hereunder at a price in excess of the monetary value thereof: *And provided further*, That no purchases of silver situated in the continental United States on May 1, 1934, shall be made hereunder at a price in excess of 50 cents a fine ounce.

[SEC. 4. Whenever and so long as the market price of silver exceeds its monetary value or the monetary value of the stocks of silver is greater than 25 per centum of the monetary value of the stocks of gold and silver, the Secretary of the Treasury may, with the approval of the President and subject to the provisions of section 5, sell any silver acquired under the authority of this Act, at home or abroad, for present or future delivery, at such rates, at such times, and upon such terms and conditions as he may deem reasonable and most advantageous to the public interest.

[SEC. 5. The Secretary of the Treasury is authorized and directed to issue silver certificates in such denominations as he may from time to time prescribe in a face amount not less than the cost of all silver purchased under the authority of section 3, and such certificates shall be placed in actual circulation. There shall be maintained in the Treasury as security for all silver certificates heretofore or hereafter issued and at the time outstanding an amount of silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates. All silver certificates

heretofore or hereafter issued shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, and shall be redeemable on demand at the Treasury of the United States in standard silver dollars; and the Secretary of the Treasury is authorized to coin standard silver dollars for such redemption.

[SEC. 6. Whenever in his judgment such action is necessary to effectuate the policy of this Act, the Secretary of the Treasury is authorized, with the approval of the President, to investigate, regulate, or prohibit, by means of licenses or otherwise, the acquisition, importation, exportation, or transportation of silver and of contracts and other arrangements made with respect thereto; and to require the filing of reports deemed by him reasonably necessary in connection therewith. Whoever willfully violates the provisions of any license, order, rule, or regulation issued pursuant to the authorization contained in this section shall, upon conviction, be fined not more than $10,000 or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

[SEC. 7. Whenever in the judgment of the President such action is necessary to effectuate the policy of this Act, he may by Executive order require the delivery to the United States mints of any or all silver by whomever owned or possessed. The silver so delivered shall be coined into standard silver dollars or otherwise added to the monetary stocks of the United States as the President may determine; and there shall be returned therefor in standard silver dollars, or any other coin or currency of the United States, the monetary value of the silver so delivered less such deductions for seigniorage, brassage, coinage, and other mint charges as the Secretary of the Treasury with the approval of the President shall have determined: *Provided*, That in no case shall the value of the amount returned therefor be less than the fair value at the time of such order of the silver required to be delivered as such value is determined by the market price over a reasonable period terminating at the time of such order. The Secretary of the Treasury shall pay all necessary costs of the transportation of such silver and standard silver dollars, coin, or currency, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary. Any silver withheld in violation of any Executive order issued under this section or of any regulations issued pursuant thereto shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law; and, in addition, any person failing to comply with the provisions of any such Executive order or regulation shall be subject to a penalty equal to twice the monetary value of the silver in respect of which such failure occurred.

SEC. 8. [Repealed.]

[SEC. 9. The Secretary of the Treasury is hereby authorized to issue, with the approval of the President, such rules and regulations as the Secretary of the Treasury may deem necessary or proper to carry out the purposes of this Act, or of any order issued hereunder.

[SEC. 10. As used in this Act—

[The term "person" means an individual, partnership, association, or corporation;

[The term "the continental United States" means the States of the United States and the District of Columbia;

[The term "monetary value" means a value calculated on the basis of $1 for an amount of silver or gold equal to the amount at the time contained in the standard silver dollar and the gold dollar, respectively;

[The term "stocks of silver" means the total amount of silver at the time owned by the United States (whether or not held as security for outstanding currency of the United States) and of silver contained in coins of the United States at the time outstanding;

[The term "stocks of gold" means the total amount of gold at the time owned by the United States, whether or not held as a reserve or as security for any outstanding currency of the United States.

[SEC. 11. There is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $500,000, which shall be available for expenditure under the direction of the President and in his discretion, for any purpose in connection with the carrying out of this Act; and there are hereby authorized to be appropriated annually such additional sums as may be necessary for such purposes.

[SEC. 12. The right to alter, amend, or repeal this Act is hereby expressly reserved. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

[SEC. 13. All Acts and parts of Acts inconsistent with any of the provisions of this Act are hereby repealed, but the authority conferred in this Act upon the President and the Secretary of the Treasury is declared to be supplemental to the authority heretofore conferred.]

SECTION 4 OF THE ACT OF JULY 6, 1939 (53 STAT. 998)

[SEC. 4. (a) Each United States coinage mint shall receive for coinage into standard silver dollars any silver which such mint, subject to regulations prescribed by the Secretary of the Treasury, is satisfied has been mined subsequently to July 1, 1939, from natural deposits in the United States or any place subject to the jurisdiction thereof.

[(b) The Director of such mint with the consent of the owner shall deduct and retain of such silver so received 45 per centum as seigniorage for services performed by the Government of the United States relative to the coinage and delivery of silver dollars. The balance of such silver so received, that is 55 per centum, shall be coined into standard silver dollars and the same or any equal number of other standard silver dollars shall be delivered to the owner or depositor of such silver, and no provisions of law taxing transfers of silver shall extend or apply to any delivery of silver to a United States mint under this section. The 45 per centum of such silver so deducted shall be retained as bullion by the Treasury or coined into standard silver dollars and held or disposed of in the same manner as other bullion or silver dollars held in or belonging to the Treasury.

[(c) The Secretary of the Treasury is authorized to prescribe regulations to carry out the purposes of this section. Such regulations shall contain provisions substantially similar to the provisions con-

tained in the regulations issued pursuant to the Act of Congress approved April 23, 1918 (40 Stat. L., p. 535), known as the Pittman Act, with such changes as he shall determine prescribing how silver tendered to such mints shall be identified as having been produced from natural deposits in the United States or any places subject to its jurisdiction subsequent to July 1, 1939.]

ACT OF JULY 31, 1946 (60 STAT. 750)

[AN ACT

[To authorize the use by industry of silver held or owned by the United States, and for other purposes.

[*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That hereafter the Secretary of the Treasury is authorized to sell or lease for manufacturing uses, including manufacturing uses incident to reconversion and the building up of employment in industry, upon such terms as the Secretary of the Treasury shall deem advisable, to any person, partnership, association, or corporation, or any department of the Government, any silver held or owned by the United States at not less than 90.5 cents per fine troy ounce: *Provided*, That at all times the ownership and the possession or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates heretofore or hereafter issued by the Secretary of the Treasury shall be maintained by the Treasury: *Provided further*, That hereafter each United States coinage mint shall receive for coinage silver mined after July 1, 1946, from natural deposits in the United States or any place subject to the jurisdiction thereof, as provided in the Act of July 6, 1939 (Public Law 165, Seventy-sixth Congress), and tendered to such mint within one year after the month in which the ore from which it is derived was mined, except that the seigniorage to be deducted shall be 30 per centum instead of 45 per centum as provided in section 4 (b) of said Act.]

THE NINTH PARAGRAPH OF SECTION 16 OF THE FEDERAL RESERVE ACT (12 U.S.C. 418)

NOTE ISSUES

SEC. 16. * * *

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In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of *$1*, *$2*, $5, $10, $20, $50, $100, $500, $1,000, $5,000, $10,000 as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued.

INTERNAL REVENUE CODE OF 1954

CHAPTER 39—REGULATORY TAXES

SUBCHAPTER A. Narcotic drugs and marihuana.
SUBCHAPTER B. White phosphorus matches.
SUBCHAPTER C. Adulterated butter and filled cheese.
SUBCHAPTER D. Cotton futures.
SUBCHAPTER E. Circulation other than of national banks.
[SUBCHAPTER F. Silver bullion.]

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[Subchapter F—Silver Bullion

[Sec. 4891. Imposition of tax.
[Sec. 4892. Definitions.
[Sec. 4893. Liability for tax.
[Sec. 4894. Abatement or refund.
[Sec. 4895. Stamps.
[Sec. 4896. Applicability.
[Sec. 4897. Cross references.

[SEC. 4891. IMPOSITION OF TAX.

[There shall be imposed on all transfers of any interest in silver bullion, if the price for which such interest is or is to be transferred exceeds the total of the cost thereof and allowed expenses, a tax of 50 percent of the amount of such excess.

[SEC. 4892. DEFINITIONS.

[For the purpose of this subchapter—

[(1) COST.—The term "cost" means the cost of the interest in silver bullion to the transferor, except that—

[(A) in case of silver bullion produced from materials containing silver which has not previously entered into industrial, commercial, or monetary use, the cost to a transferor who is the producer shall be deemed to be the market price at the time of production determined in accordance with regulations issued hereunder;

[(B) in the case of an interest in silver bullion acquired by the transferor otherwise than for valuable consideration, the cost shall be deemed to be the cost thereof to the last previous transferor by whom it was acquired for a valuable consideration; and

[(C) in the case of any interest in silver bullion acquired by the transferor in a wash sale, the cost shall be deemed to be the cost to him of the interest transferred by him in such wash sale, but with proper adjustment, in accordance with regulations under this subchapter, when such interests are in silver bullion for delivery at different times.

[(2) TRANSFER.—The term "transfer" means a sale, agreement of sale, agreement to sell, memorandum of sale or delivery of, or transfer, whether made by assignment in blank or by any delivery, or by any paper or agreement or memorandum or any other evidence of transfer or sale; or means to make a transfer as so defined.

[(3) INTEREST IN SILVER BULLION.—The term "interest in silver bullion" means any title or claim to, or interest in, any silver bullion or contract therefor.

[(4) ALLOWED EXPENSES.—The term "allowed expenses" means usual and necessary expenses actually incurred in holding, processing, or transporting the interest in silver bullion as to which an interest is transferred (including storage, insurance, and transportation charges but not including interest, taxes, or charges in the nature of overhead), determined in accordance with regulations issued hereunder.

[(5) MEMORANDUM.—The term "memorandum" means a bill, memorandum, agreement, or other evidence of a transfer.

[(6) WASH SALE.—The term "wash sale" means a transaction involving the transfer of an interest in silver bullion and, within 30 days before or after such transfer, the acquisition by the same person of an interest in silver bullion. Only so much of the interest so acquired as does not exceed the interest so transferred, and only so much of the interest so transferred as does not exceed the interest so acquired, shall be deemed to be included in the wash sale.

[(7) SILVER BULLION.—The term "silver bullion" means silver which has been melted, smelted, or refined and is in such state or condition that its value depends primarily upon the silver content and not upon its form.

[SEC. 4893. LIABILITY FOR TAX.

[This tax imposed by this subchapter shall be paid by any person who makes, signs, issues, or sells any of the documents and instruments subject to the tax imposed by this subchapter, or for whose use or benefit the same are made, signed, issued, or sold. The United States or any agency or instrumentality thereof shall not be liable for the tax with respect to an instrument to which it is a party, and affixing of stamps thereby shall not be deemed payment for the tax, which may be collected by assessment from any other party liable therefor.

[SEC. 4894. ABATEMENT OR REFUND.

[The Secretary or his delegate shall abate or refund, in accordance with regulations issued under this subchapter, such portion of any tax imposed by section 4891 as he finds to be attributable to profits—

[(1) COURSE OF REGULAR BUSINESS.—Realized in the course of the transferor's regular business of furnishing silver bullion for industrial, professional, or artistic use and—

[(A) not resulting from a change in the market price of silver bullion, or

[(B) offset by contemporaneous losses incurred in transactions in interests in silver bullion determined, in accordance with such regulations, to have been specifically related hedging transactions; or

[(2) SILVER FOREIGN EXCHANGE.—Offset by contemporaneous losses attributable to changes in the market price of silver bullion and incurred in transactions in silver foreign exchange determined, in accordance with such regulations, to have been hedged specifically by the interest in silver bullion transferred.

[SEC. 4895. STAMPS.

[(a) AFFIXING OF STAMPS.—On every transfer subject to the tax imposed by section 4891, there shall be made and delivered by the transferor to the transferee a memorandum to which there shall be affixed lawful stamps in value equal to the tax thereon.

[(b) MEMORANDUM.—Every such memorandum shall show the date thereof, the names and addresses of the transferor and transferee, the interest in silver bullion to which it refers, the price for which such interest is or is to be transferred, and the cost thereof and the allowed expenses.

[(c) CANCELLATION OF STAMPS.—Stamps affixed under this section shall be canceled (in lieu of the manner provided in subtitle F) by such officers and in such manner as regulations under this subchapter shall prescribe. Such officers shall cancel such stamps only if it appears that the proper tax is being paid, and, when stamps with respect to any transfer are so canceled, the transferor and not the transferee shall be liable for any additional tax found due or penalty with respect to such a transfer.

[SEC. 4896. APPLICABILITY.

[(a) TERRITORIAL EXTENT.—The provisions of this subchapter shall extend to all transfers in the United States of any interest in silver bullion, and to all such transfers outside the United States if either party thereto is a resident of the United States or is a citizen of the United States who has been a resident thereof within 3 months before the date of the transfer or if such silver bullion or interest therein is situated in the United States.

[(b) TRANSFERS TO THE UNITED STATES GOVERNMENT.—The provisions of this subchapter shall extend to transfers to the United States Government (the tax in such cases to be payable by the transferor), but shall not extend to transfers of silver bullion by deposit or delivery at a United States mint under proclamation by the President or in compliance with any Executive order issued pursuant to section 7 of the Silver Purchase Act of 1934 (48 Stat. 1179; 31 U.S.C. 316(a)).

[SEC. 4897. CROSS REFERENCES.

[For penalties and other general and administrative provisions applicable to this subchapter, see subtitle F.]

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

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Subchapter B—Rules of Special Application

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SEC. 6422. CROSS REFERENCES.

(1) For limitations on credits and refunds, see subchapter B of chapter 66.

(2) For overpayment arising out of adjustments incident to involuntary liquidation of inventory, see section 1321.

(3) For overpayment in case of adjustments to accrued foreign taxes, see section 905(c).

(4) For credit or refund in case of deficiency dividends paid by a personal holding company, see section 547.

(5) For refund, credit, or abatement of amounts disallowed by courts, upon review of Tax Court decision, see section 7486.

(6) For abatement or refund of tax on transfers to avoid income tax, see section 1494(b).

[(7) For abatement or refund in case of tax on silver bullion, see section 4894.]

[(8)] *(7)* For overpayment in certain renegotiations of war contracts, see section 1481.

[(9)] *(8)* For refund or redemption of stamps, see chapter 69.

[(10)] *(9)* For abatement, credit, or refund in case of jeopardy assessments, see chapter 70.

[(11)] *(10)* For treatment of certain overpayments as having been refunded, in connection with sale of surplus war-built vessels, see section 9(b)(8) of the Merchant Ship Sales Act of 1946 (60 Stat. 48; 50 U.S.C. App. 1742).

[(12)] *(11)* For restrictions on transfers and assignments of claims against the United States, see R.S. 3477 (31 U.S.C. 203).

[(13)] *(12)* For set-off of claims against amounts due the United States, see the act of March 3, 1875, as amended by section 13 of the act of March 3, 1933 (47 Stat. 1516; 31 U.S.C. 227).

[(14)] *(13)* For special provisions relating to alcohol and tobacco taxes, see subtitle E.

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CHAPTER 69—GENERAL PROVISIONS RELATING TO STAMPS

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SEC. 6808. SPECIAL PROVISIONS RELATING TO STAMPS.

For special provisions on stamps relating to—

(1) Capital stock, see chapter 34.

(2) Cotton futures, see subchapter D of chapter 39.

(3) Distilled spirits and fermented liquors, see chapter 51.

(4) Documents and other instruments, see chapter 34.

(5) Filled cheese, see subchapter C of chapter 39.

(6) Machine guns and short-barrelled firearms, see chapter 53.

(7) Oleomargarine, see subchapter F of chapter 38.

(8) Opium, opium for smoking, opiates and coca leaves, and marihuana, see subchapter A of chapter 39.

(9) Playing cards, see subchapter A of chapter 36.

(10) Process, renovated, or adulterated butter, see subchapter C of chapter 39.

[(11) Silver bullion, see subchapter F of chapter 39.]

[(12)] *(11)* Tobacco, snuff, cigars and cigarettes, see chapter 52.

[(13)] *(12)* White phosphorous matches, see subchapter B of chapter 39.

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